

Charles G. Koch

POWER PROFILE

Monday, November 12, 2007

Practicing the 'science of liberty' in politics and in the world's largest private company

By Mark Tapscott
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Rich Fink has worked for Charles G. Koch for nearly two decades and is often sought by Washington insiders seeking to know what's on the mind of the modest man from Wichita, Kan., who also happens to head the world's largest private corporation.

Fink reports directly to Koch and oversees legal and public affairs as executive vice president of Koch Industries Inc., the financial and commodities conglomerate that generates \$90 billion in annual revenues.

Asked why he's stayed with Koch for so long, Fink describes a moment in 1986 that marked a turning point in their relationship.

"I was running a grassroots group then, Citizens for a Sound Economy, that was fighting the highway bill that year," Fink said. "Koch was in the asphalt business back then, and one day I get a call from a guy in the business who wants to know why the devil we're opposing that bill."

Worried that Koch, CSE's biggest financial supporter, might also be unhappy about the situation, Fink called him and offered an explanation.

"I told him about the call and my concern, and here's what he said to me: 'If you ever change your view on this because of that, I will immediately withdraw my participation in CSE,'" Fink said. "He is the most honest guy I have ever met."

Such praise is heard often among longtime Koch associates, be they in the imposing black-granite company headquarters in Wichita or among the legions of scholars, nonprofit activists and think-tank executives around the world who have been recipients of his philanthropic assistance, financial and otherwise, during a career that has spanned more than 40 years.

It would be easy to mistake Koch for a professor rather than somebody ranked near the top of



As head of Koch Industries, Koch oversees more than 80,000 workers in 60 countries. - Larry W. Smith/Special to The Examiner

Forbes' compilation of the world's richest people and a pivotal player in starting and nurturing key intellectual and activist institutions on the right.

The lanky 72-year-old has classically distinguished graying hair and the rugged, bespectacled good looks of a salt-of-the-earth son of the Kansas plains. He earned a bachelor's degree in general engineering and two master's — nuclear and chemical engineering — from the Massachusetts Institute of Technology.

Following his studies, Koch spent three years at Arthur D. Little Inc.,

then returned to Kansas in 1961 when his father threatened to sell the family's oil business if his son refused to come home. Koch became chairman and chief executive officer in 1967 and has been the man in charge ever since.

Despite more than a few setbacks along the way, Koch has had success, and it has been nothing less than spectacular. Koch Industries employs more than 80,000 people in 60 countries who make and sell such familiar products as Stainmaster carpets, Quilted Northern tissue and Dixie cups. The company's rate of return has outpaced the Standard & Poor 500 "at least tenfold," according to The Wall Street Journal.

Koch insists that he manages his company with the same principles he's sought to advance through his philanthropy. And associates universally agree that Koch has never sought celebrity status.

He calls his management principles the "science of liberty," which he defines as "the study and practice of advancing liberty to create sustainable prosperity and progress." Koch believes passionately that free men and free markets are the keys to individual and national success.

His libertarian passion prompted

him to co-found the Cato Institute, one of the most influential Washington think tanks, and to generously support for many years the Institute for Humane Studies, the Mercatus Center at George Mason University and the Bill of Rights Institute.

Mercatus provides policy-makers with data-driven analyses of the consequences of their decisions, while IHS focuses on educating aspiring scholars in libertarian principles. The BRI explicates the Constitution for high school teachers and students.

Victoria Hughes, who heads the Fairfax-based Bill of Rights Institute, has worked with Koch nearly as long as Fink. She says Koch "is never so happy as when he is engaged in serious conversation with students and young scholars. The ideas are what appeal to him."

Koch has been a voracious reader since childhood, and the walls of his office are lined with the works of economists and philosophers. His favorites include the classics of F.A. Hayek, Ludwig von Mises and Joseph Schumpeter, as well as contemporary works by historian Paul Johnson and economist Julian Simon.

Earlier this year, Koch's byline appeared on the bookshelves for the first time with "The Science of Success: How Market-Based Manage-

CHARLES G. KOCH'S TIPS FOR SUCCESS

- 1 Determine where and how the organization can create the greatest long-term value.
- 2 Make sure to hire, develop and retain people with the right values and skills.
- 3 Create, acquire, share and apply relevant knowledge, then track profitability.
- 4 Make sure the right people are in the right roles with the right authority to make decisions — and then hold them accountable.
- 5 Reward people according to the value they create for the organization.

ment Built the World's Largest Private Company." Ever the engineer intrigued by the interplay of cause and effect, Koch explains how his science of liberty led to the five dimensions of MBM he says he has used to create the culture of Koch Industries.

The aim of MBM is to ensure that every business within Koch Industries has the people, resources and authority to find ways to provide more value to customers. That leads to more profit and the need for more new ways to add value, a process Koch likens to the "creative destruction" described by Schumpeter as the driving force in a free economy.

"Everybody focuses on their piece where they have the greatest comparative advantage, and that works if people have the right values," Koch said. But he cautions that "we found that MBM doesn't work if you have a leader at any level who doesn't live by these principles."

Despite his company's legendary profitability and continually growing ranks of Koch-assisted voices in the public arena, he isn't likely to slow down any time soon. Reflecting on his philanthropic efforts, Koch muses that "we've learned to articulate the ideas of liberty a lot better, but we haven't learned to turn that into political effectiveness."

So building "grassroots organizations to match those seeking more government power, to create a countervailing force for the general interest," is a continuing challenge for Koch.

The people attracted to his kind of groups, according to Koch, "aren't looking for special grants or subsidies, not looking for regulations on competitors or special advantages.

"They just want a level playing field and an opportunity to achieve their objectives by making other peoples' lives better."

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BIO FILE | CHARLES G. KOCH

Born: Nov. 1, 1935 **Hometown:** Wichita, Kan.

Education: B.S. in general engineering (1957) and M.A.s in nuclear and chemical engineering (1958 and 1959, respectively) from the Massachusetts Institute of Technology

Family: Wife Liz Koch, two sons

Key Jobs: Vice president, Koch Engineering Co. Inc. (1961-1963); president (1963-1971); president, Koch Industries Inc. (1966-1974); chairman and chief executive officer, Koch Industries Inc. (1967-present)

Biggest Influence: Leonard Reed

Favorite Book: "Why Wages Rise" by F.A. Harper

Quote to live by: "Keep your obligations and promises. Try, if possible, to do business with honorable people. All the contracts and lawyers in Christendom cannot make a dishonorable man hew to the line." - Fred C. Koch, his father